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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

NIC #04814-85/1
25 September 1985

MEMORANDUM FOR: Distribution

FROM: Carl W. Ford, Jr.
National Intelligence Officer for East Asia

SUBJECT: Special Interagency Philippine Analytic Group Meeting

1. Representatives of the Intelligence Community met on 18 September to consider the attached subjects.

2. Next month's Special Interagency Philippine Analytic Group Meeting will be held on 16 October 1985 at 1500 hours in Room 7E62, CIA Headquarters. Recommendations for discussion topics should be forwarded to this office by COB 2 October 1985.

3. Attendees from outside agencies are advised to arrive early to avoid parking problems created by construction work. For your convenience, please enter the compound through Gate 1, the Route 123 Entrance. Please telephone attendance intentions to [redacted] and have your clearances verified to us by your security office by COB 14 October 1985.

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Attachment

18 September 1985 Special Interagency Philippine
Analytic Group Report

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MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: Carl W. Ford, Jr.
National Intelligence Officer for East Asia

SUBJECT: 18 September 1985 Special Interagency Philippine Analytic
Group Meeting

1. Mr. John Monjo, Deputy Assistant Secretary for East Asian Affairs, Department of State, reviewed his recent trip to Manila and other Asian capitals. Although official statements by Manila are constantly reassuring us about Philippine government performance, Monjo believes there is an underlying sense of malaise. The mood in Manila is one of concern, coupled with drift and bleakness.

2. Many officials are concerned about the negative effect of the likely return of General Ver after his acquittal. Most businessmen are stashing money abroad and making plans to get out of the Philippines; most officials and businessmen already have relatives in the U.S.

3. Although the recent Bishops' and Businessmen's Poll indicated that Marcos remains popular with many Filipinos, fully 74 percent of those polled said conditions in the Philippines were getting worse. Many in the ruling KBL are frustrated with the lack of leadership within the Party. There is no evidence that the KBL has a clear cut succession worked out in case Marcos dies or becomes disabled. There would probably be a bitter struggle for leadership. Elections will likely be held in 1986 and 1987 and Marcos plans to run. The opposition has Laurel, but he is probably among the weakest of the candidates the opposition could come up with. Meanwhile, the opposition has slogans, but no serious programs to deal with the crisis.

4. This drift among Filipino political leaders can be best seen in a comparison with Indonesians. Monjo noted that a difference between the Philippines and Indonesia--and perhaps a principal reason that there is so much malaise in the Philippines--is that while every Indonesian expects to end his or her days in Indonesia, every Filipino believes that he will end his life eventually in the United States--not in the Philippines.

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5. Although his time in the Philippines was spent almost entirely in Manila, Mr. Monjo managed to meet with many important government, business, KBL, and opposition figures. His report was not encouraging. He concluded that there seems little likelihood that conditions will improve in the near term.

Cory Aquino: The Opposition's Compromise Candidate?

1. OEA and OCR presented an overview of Cory Aquino and an analysis of her recent rise in popularity as a candidate to challenge Marcos in the 1987 election.

2. Cory has grown in political stature over the last several years and appears increasingly willing to assume a more prominent role in opposition politics.

-- She has been instrumental in opposition unification efforts to date.

-- Cory was the focus of the moderates' 21 August rally commemorating the second anniversary of the Aquino assassination. "Cory for President" banners were highly visible.

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-- Cory showed strength and independence by rebuffing a request from known NDF leaders to move the rally site to two sites--Mendiola Bridge and Liwusang Bonifacio--commonly identified with violent leftwing demonstrations.

-- In recent interviews, Ms. Aquino indicated she no longer rejected the notion of accepting the opposition's nomination "out of hand," and although still reticent, would seriously consider such a move.

3. What is responsible for the recent emergence of Cory Aquino as a strong candidate against Marcos?

-- Philippine politics is still personality oriented.

-- Cory Aquino is still strongly identified with her husband--who has gained near folklore status as a national martyr figure--and commands "moral authority" on the political scene. As such, it is risky for others--KBL, opposition, or Communists--to attack her.

-- Filipinos appear to be looking for an "untainted" political figure. Cory, although involved in the moderate opposition movement, has remained relatively free of too close association with any particular party.

-- Cory is less of a threat to the longer term political prospects of other presidential hopefuls because she does not appear politically ambitious. Cory was instrumental in the National

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Unification Committee's (NUC) proposal that the first "post-Marcos" president serve a maximum term of two years--a period of national reunification. Although other candidates might agree to the proposal in theory, there may be doubts that they would abide by the timetable once elected. Cory would.

4. What might a Cory ticket look like? What about a succeeding government?

-- Philippine politics does not, in general, focus on ideology or policy concerns. Because Cory has to date denied any interest in holding political office, there is little information on her specific policy positions. Along with most moderates, she has waffled on the "Bases" issue.

-- There has been some speculation over possible running mates. Possible candidates include: Doy Laurel, Ramon Mitra, Aquilino "Nene" Pimental, Jovito Salonga, and Judy Roxas.

-- [redacted] although not experienced in government, Cory already relies on a team of advisors--including brother, PDP-Chairman Jose "Peiping" Cojuangco.

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-- [redacted] while Cory is a leading contender for the opposition nomination in the event of a snap election, her prospects are less certain if the presidential election is held as scheduled in June 1987.

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If the election were to be held soon, Cory Aquino would likely emerge as the compromise candidate--if for no other reason than she is non-controversial and not viewed as a long term challenge to other opposition candidates waiting in the wings for the end of the Marcos era. Over the longer term, if others, such as Laurel or Pimental, develop true grassroots based political support, the aura surrounding Cory probably will fade.

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The Impact of the IMF Loan Withhold and Its Implications for Virata

1. Financial conditions in the Philippines continue to scrape along at rock bottom. Downward trends have generally stopped. The negative growth of -5% of GNP experienced last year probably was the low point; however, population growth will more than eat up any growth that occurs during the next few years. On the positive side, inflation is down to 5-6% vice the 100% of a year ago and the banks are even holding pesos. Managers believe they now have some control rather than operating in a crisis mode.

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2. Exports, however, continue to fall. They are down 15% so far this year and unless they go up, the hoped for 3-4% growth in 1986 simply will not occur. Reform of the sugar and coconut industries, which is critical to any recovery, is not in the cards. Marcos's continued need to rely on his cronies who control these areas will mitigate restructuring. Progress, therefore, is unlikely.

3. Against this bleak backdrop, Virata, who has been Finance Minister for 15 years, must face audiences armed with only limited options. Though a classic technocrat, his powers are limited and his results, therefore, are marginal. Neither Marcos nor the IMF is fully satisfied with Virata. He however, does not pose a political challenge to Marcos.

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Despite reports that Marcos is unhappy with Virata, and Imelda openly dislikes him, he is unlikely to be dropped. Marcos needs Virata's expertise and international reputation to survive with the IMF and world bankers. The option to replace Virata is a one time move open to Marcos, and while Jaime Ongpin or Fernandez probably could replace him, the loss of favor with outside money sources--that Marcos needs--will mitigate such a move.

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